

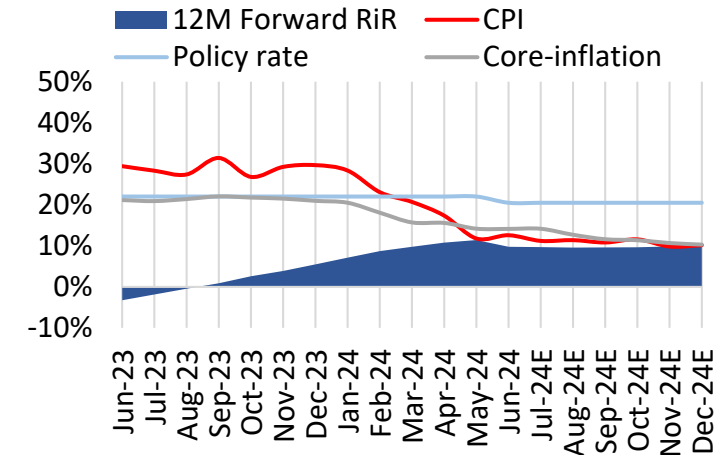
Inflation

Jun-24 NCPI at 12.6% Y/Y, FY24 Inflation Averages at 23.4%

01 Jul 2024

- Jun-24 NCPI at 12.6% Y/Y.** The NCPI increased 0.46% M/M largely due to a 1.49% M/M rise in the housing index because of an 8.1% M/M rise in electricity prices. The perishable food index was also up 6.82% M/M, because of the Eid season. However, it was offset by a drop in non-perishable food items. Falling fuel prices also helped contain the M/M rise in NCPI to a minimum by fall in transport index by 0.13% M/M in Jun-24. Overall, Jun-24 inflation inched up slightly to 12.6% Y/Y.
- Core inflation was up by 0.74% M/M.** The higher M/M number in Jun-24 was due to jump in tailor charges because of the Eid season, rising medical charges (health index up 1.5% M/M), and an increase in textbook prices (recreation & culture index up 2.6% M/M) at the onset of new sessions. However, the Y/Y core inflation remained on a downward trend, posting 14.1% vs. 14.2% in May-24.
- FY24 NCPI averaged at 23.4% Y/Y.** The headline inflation moderated Y/Y largely due to a slowdown in the food (20.8% Y/Y) and transport (19.4% Y/Y) indices. However, the housing index kept the headline NCPI elevated by jumping 15.4 ppts higher to 29.4% in FY24 due to adjustments in gas and electricity prices. Similarly, the higher increases in clothing, health, communication, and education compared to FY23 kept core inflation up at 18.7% Y/Y vs. 17.9% Y/Y in FY23.
- Inflation to slowdown in FY25.** We expect inflation to fall to FY22 levels at around 12%, barring any external shocks. The upside risk can arise from a sharp rebound in food prices, as they have fallen significantly in the past few months. Additionally, the imposition of higher PDL/sales tax on fuel in a possible mini-budget might provide support to falling inflation. Nonetheless, we expect inflation to slow down considerably compared to FY23/24 levels.

12M Fwd RiR at ~9.7/8.7% in Jun/Jul-24E



Source: PBS, Optimus Research

*RiR is Real Interest Rates

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Housing index drives 0.46% M/M rise in NCPI

Inflation	Weights	Jun-24E		FY24E
		%	Y/Y	M/M
General	100.0%	12.6%	0.46%	23.4%
Food & non-alcoholic beverages	34.6%	1.0%	0.12%	20.8%
Alcoholic Beverages & Tobacco	1.0%	5.8%	2.94%	46.5%
Clothing & Footwear	8.6%	17.8%	0.93%	19.4%
Housing, Water, Electricity, Gas & Fuels	23.6%	35.3%	1.49%	29.4%
Furnishing & Household Equipment	4.1%	12.3%	0.33%	27.9%
Health	2.8%	19.8%	1.41%	21.7%
Transport	5.9%	10.4%	-2.17%	19.4%
Communication	2.2%	13.7%	0.19%	11.5%
Recreation & Culture	1.6%	10.0%	2.57%	34.0%
Education	3.8%	15.9%	0.29%	13.0%
Restaurants & Hotels	6.9%	11.9%	-0.26%	25.3%
Miscellaneous	4.9%	14.4%	0.76%	27.5%

Source: PBS, Optimus Research

FY24 inflation moderated to 23.4% Y/Y

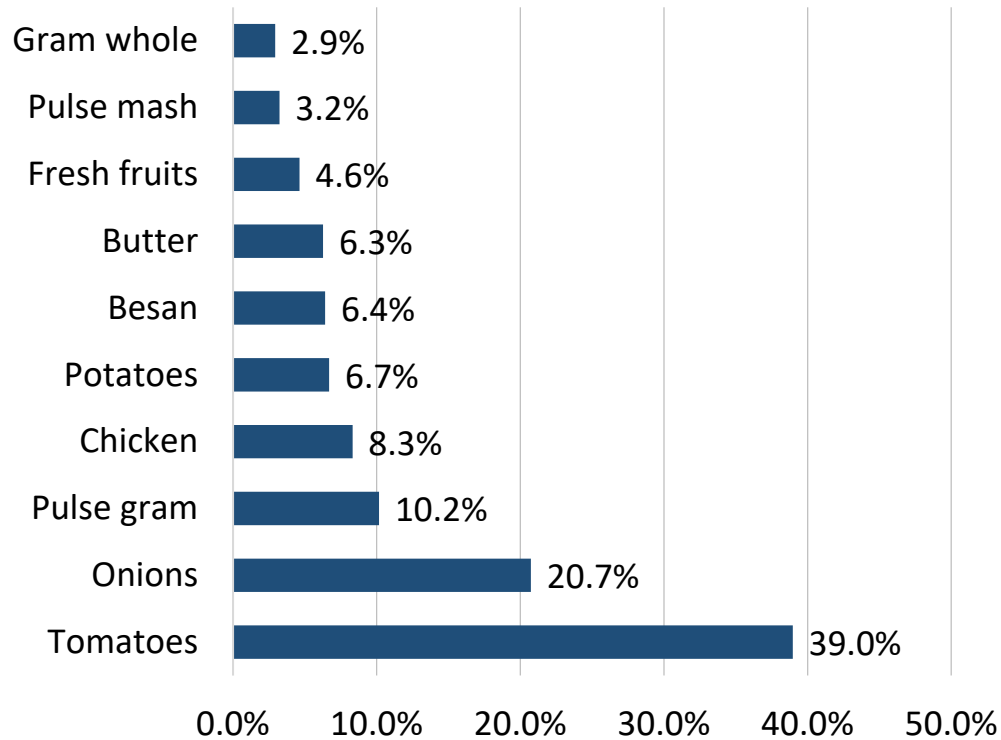
Inflation (NCPI)	Weights	FY22	FY23	FY24
General	100.0%	12.1%	29.2%	23.4%
Food & non-alcoholic beverages	34.6%	13.4%	39.0%	20.8%
Alcoholic Beverages & Tobacco	1.0%	4.3%	66.4%	46.5%
Clothing & Footwear	8.6%	10.4%	18.8%	19.4%
Housing, Water, Electricity, Gas & Fuels	23.6%	10.8%	14.0%	29.4%
Furnishing & Household Equipment	4.1%	12.6%	32.1%	27.9%
Health	2.8%	9.4%	16.8%	21.7%
Transport	5.9%	24.0%	49.2%	19.4%
Communication	2.2%	2.4%	3.4%	11.5%
Recreation & Culture	1.6%	8.7%	42.2%	34.0%
Education	3.8%	4.8%	9.7%	13.0%
Restaurants & Hotels	6.9%	12.6%	32.6%	25.3%
Miscellaneous	4.9%	10.6%	29.5%	27.5%
Core Inflation	49.3%	8.5%	17.9%	18.7%

Source: PBS, Optimus Research

23 items witnessed increase whereas 2 remain unchanged out of total 39 items

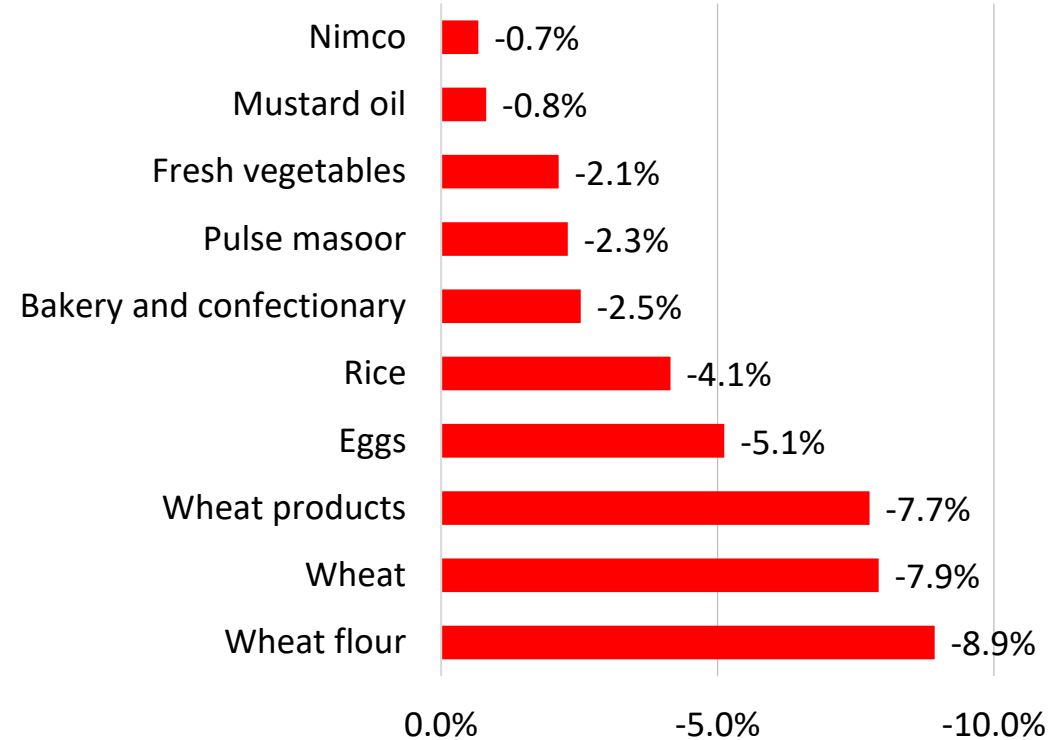
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Chart 2: Top M/M increase in food prices (U/R weights 8/12%)



Source: PBS, Optimus Research

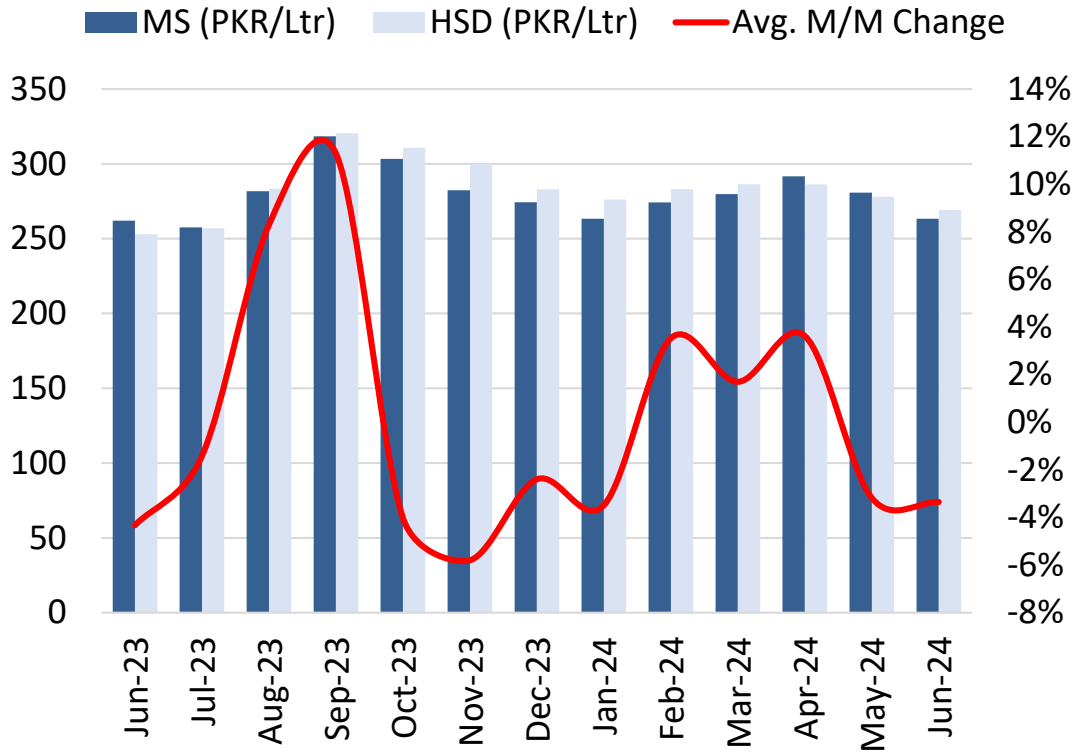
Chart 3: Top M/M decline in food prices (U/R weights 5/6%)



Source: PBS, Optimus Research

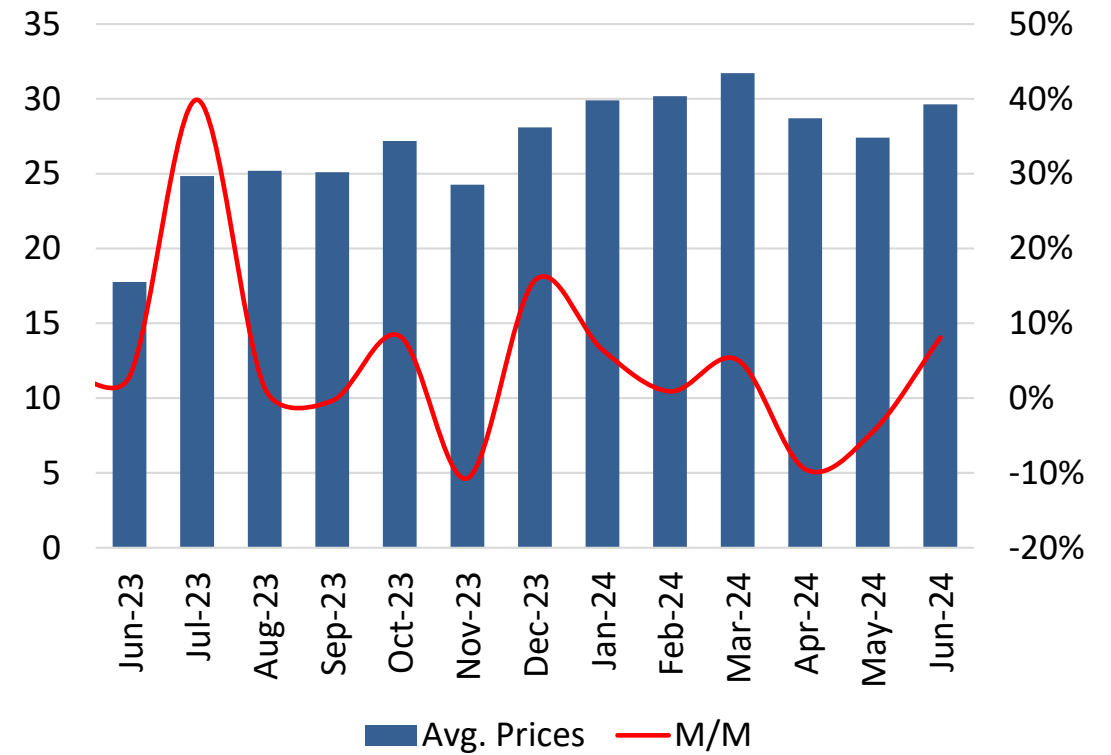
Sharp electricity price increase to lift NCPI

Chart 4: Sequential 2.2% M/M decline witnessed in transport index



Source: OGRA, PBS, Optimus Research

Chart 5: Electricity prices increased 8.1% M/M in Jun-24 (PKR/Unit)



Source: PBS, NEPRA, Optimus Research

Analyst Certification

The research analyst for this report, Maaz Azam, certifies that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analysts in this report.

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